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RUEATRS/DEPT OF TREASURY WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 000578

SENSITIVE
SIPDIS

DEPARTMENT PASS TO USTR-AGAMA
DEPT PASS USAID/AFR FOR DATWOOD AND USAID/EGAT FOR MOTT
BAGHDAD FOR DUNDAS MCCULLOUGH
TREASURY FOR PETERS, IERONIMO, AND HALL
DOE FOR GPERSON AND CHAYLOCK
DOC FOR 3317/ITA/OA/KBURRESS AND
3130/USFC/OIO/ANESA/MCREED

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [ETRD](#) [EAID](#) [EINV](#) [ENRG](#) [NI](#)

SUBJECT: NIGERIA: MINISTER OF FINANCE CONFIDENT ON BUDGET NEXT
STEPS

REF: A. ABUJA 263

[1](#)B. ABUJA 474

[1](#)C. 08 ABUJA 2365

[1](#)D. 08 ABUJA 2225

[1](#)E. 08 ABUJA 882

[1](#)1. (SBU) Summary: Reftel B reports on the signed 2009 budget allocations and ways to successfully execute the budget. Following the press announcement, Finance Minister Mansur Muhtar gave a speech on March 24 to audience of key ministers, head of government agencies, press and others at the International Conference Center in Abuja, about how he plans to manage the budget challenges. He outlined an effort to increase non-oil revenues through taxation, and emphasized a government "to do" list for Nigeria to maintain macroeconomic stability. The Minister asserted that the Nigerian government's (GON) 2009 budget focuses on diversifying the economy by developing critical infrastructure. Furthermore, he expects the 2009 budget deficit to increase to 3.02% of the GDP, or 836.6 billion naira (\$5.65 billion). To cushion the impact of decreased revenues, the GON plans to use available funds from the Excess Crude Account (ECA). The Minister underscored that policy reforms must be put in place and that the GON must focus on accountability, transparency and results in order to grow and survive the global economic crisis. End Summary.

Macroeconomic View of the 2009 Budget

[1](#)2. (U) On March 24, Minister of Finance Mansur Muhtar briefed an audience of key ministers, directors, heads of government agencies, representatives of civil society, press and others at the International Conference Center in Abuja, on the recently signed 2009 budget (reftel B). Minister Muhtar explained that the global economic recession is impacting the Nigerian economy mostly by reducing demand for oil exports. Other ways in which the global recession has affected Nigeria's economy was through reduced capital inflows; reduced income from exports; and decreased remittances from Nigerians in the diaspora.

[1](#)3. (U) Minister Muhtar contended that the 2009 budget is focused on diversifying the economy by giving priority to critical infrastructure improvements. In addition, he estimated that non-oil revenue projections will increase from the 1.3 trillion naira (\$8.78 billion) in 2008 to 1.97 trillion naira (\$13.33 billion) in 2009 while the projected fiscal deficit of 836.6 billion naira (\$5.65 billion) will be financed by funds from the ECA and by borrowing from the domestic and international financial markets.

¶4. (U) The 2009 budget emphasized increasing non-oil revenues through taxation. The Minister outlined that this could be accomplished by:

- Expanding the non-oil tax base through tax policy and administration.
- Ensuring that the Ministries, Department and Agencies (MDAs) accurately disclose earnings, payments and remittances to the Federation Account.
- Reforming the Customs Services to improve efficiencies, enhance revenue and facilitate trade.
- Deepening reforms to tap into the domestic capital market (pension, insurance funds, etc).

Next Steps

¶5. (U) The Minister announced that additional efforts will be made to ensure effective budget implementation. A Cash Management Committee was established to manage and control cash availability; support budget implementation; promote efficient resource allocation; and integrate government cash and debt management.

¶6. (U) In order to maintain macroeconomic stability, the Minister listed a series of GON "to do" items:

- Ensuring financial sector soundness.
- Improving public financial management.
- Sound budget preparation.
- Effective execution of the budget.
- Eliminating inefficiencies, corruption, leakages and rent-seeking activities in the petroleum sector.
- Diversifying sources of income by reforming trade policies.

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Comment

¶7. (SBU) If oil prices do not stay above the 2009 budget benchmark of \$45 in 2009, the budget deficit will likely be much more than 3% of the GDP. The Minister and other government officials continue to maintain that this GON plan will be implemented. From past experience, implementation is one of the many GON weaknesses. If increasing revenues from non-oil exports and taxes is truly a priority then the GON must move forward on needed economic reforms and the attendant regulatory framework.

¶8. (U) This message was coordinated with ConGen Lagos.

SANDERS